

NEW APPLICATION

1099 NEW YORK AVENUE NW SUITE 900 WASHINGTON, DC 20001-4412

JE



0000163973

ORIGINAL

RECEIVED

2015 AUG 21 P 3:53

AZ CORP COMMISSION
DOCKET CONTROL

August 21, 2015

Luke C. Platzer

Tel +1 202 639 6094

lplatzer@jenner.com

Arizona Corporation Commission

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

T-20879A-15-0305

T-20449A-15-0305

DOCKETED

AUG 24 2015

DOCKETED BY

TV

Re: Docket Nos. T-20879A-15-_____ ; T-20449A-15-_____
Notification of Transfer of Ultimate Indirect Control of Time Warner Cable
Information Services (Arizona), LLC and Time Warner Cable Business LLC

Charter Communications, Inc. ("Charter") and Time Warner Cable Inc. ("TWC"), on behalf of itself and its wholly owned subsidiaries Time Warner Cable Information Services (Arizona), LLC ("TWCIS") and Time Warner Cable Business LLC ("TWCB") (collectively, "Parties"), hereby notify the Arizona Corporation Commission (the "Commission") of a transfer of ultimate indirect control of TWCIS and TWCB. The transfer of control is part of a transaction (the "Transaction") involving Charter, TWC, and Bright House Networks, LLC ("BHN")—not a party to the instant Notification—at the conclusion of which Charter, TWC, and BHN will have merged into "New Charter,"¹ an advanced, growth-oriented company poised to better provide competitive, high-quality voice and other communications services. Following the close of the Transaction, TWCIS and TWCB will be indirect subsidiaries of New Charter. Although A.R.S. §§40-285, 40-301 and Public Utility Holding Companies and Affiliated Interest Rules, A.A.C. R14-2-801-806 ("Affiliate Rules") do not require approval of the Transaction, the Parties respectfully submit this Notification of the transfer of control to the Commission.²

¹ This Notification will refer to the reorganized parent company as "New Charter." However, the parent entity resulting from the Transaction will ultimately assume the name "Charter Communications, Inc.," as described more thoroughly herein.

² Both TWCIS and TWCB are classified by the Commission as providers of competitive services. See ACC Decision No. 74587, at 7-8 (TWCB); ACC Decision No. 68824, at 6 (TWCIS). Affiliate Rule A.A.C.R14-2-103 was recently amended, effective January 16, 2015, to increase the revenue ceiling in the telecom category for Class A public utilities from \$1M to \$10M, such that if a CLEC/IXC does not have over \$10M in Arizona jurisdiction revenue, then the utility is not a Class A utility, and the Affiliated Interest Rules governing transfers of control accordingly do not apply to a transaction involving that utility. Neither TWCIS nor TWCB has Arizona jurisdictional revenues in excess of \$10M. With respect to the stock transfer, A.R.S. § 40-301(D) exempts foreign utilities like TWCIS and TWCB—which provide communications services within the state and whose facilities are also used in providing

The instant transfer of control is contingent upon the closing of the Transaction. Because the precise timing of that closing cannot be predicted but is expected by December 31, 2015, this Notification is being filed contemporaneously with several other filings in other states and with local authorities for regulatory approval. If the Charter-TWC-BHN merger does not close, further notice will be provided to the Commission.

The Transaction is occurring at the holding company level. Moreover, the Transaction will not result in any changes in rates, terms, or conditions of service for retail customers. Neither TWCIS nor TWCB is seeking to cancel or transfer its Certificate of Convenience and Necessity. No regulated customer transfers are planned, nor are changes in tariffs. Following the Transaction, New Charter, through TWCIS, TWCB, and other TWC affiliates will continue to offer and/or provide the same services as offered prior to the Transaction.

Following the Transaction, the designated regulatory and customer service contact for TWCIS and TWCB regarding compliance with Arizona laws and regulations, as well as complaints, will be:

Betty J. Sanders
Senior Director of Regulatory Affairs
Charter Communications, Inc.
12405 Powerscourt Drive
St. Louis, Missouri 63131
Telephone: (314) 288-3259
Fax: (314) 288-3555
E-mail: Betty.Sanders@charter.com

Following the Transaction, Arizona TWICS and TWCB customers will continue to be able to call the same 24-hour customer service support center that was available to customers prior to the Transaction.

communications service in interstate commerce—from Arizona requirements regarding the encumbrance of utility assets. Hence, the Parties respectfully submit, no Commission action is required for either the Transaction or the financing arrangements necessary to effectuate the Transaction, described at greater length below.

I. PARTIES TO THE TRANSACTION

A. Charter

Charter is a leading communications company that provides voice and business as well as broadband Internet and video services.³ Charter markets its services under the Spectrum brand. As a result of extensive investment and a commitment to providing the best services, Charter now serves over 5.8 million residential customers and has 386,000 commercial relationships nationwide. Domiciled in Delaware and headquartered in Stamford, Connecticut, Charter operates in 28 states, and employs over 23,500 people nationwide. Charter does not currently provide service in Arizona.

Currently the seventh-largest multichannel video programming distributor ("MVPD") in the United States, Charter serves 4.2 million residential Charter TV video customers over its virtually all-digital network. It has recently unveiled "Worldbox"—an innovative set-top box that uses a downloadable security solution. Moreover, Charter is currently deploying its "Spectrum Guide"—a cloud-based user interface that enhances the consumer video service and can be accessed through both Worldbox and legacy two-way set-top boxes. Charter's TV "app" offers over 150 live, linear channels, video on demand ("VOD") and the ability to download VOD content for future playback. All these innovations will enable New Charter to improve the customer experience while reducing significantly its prices for customer premises equipment ("CPE"), which will reduce overall costs to consumers.

Charter provides voice service to over 2.4 million residential customers via Voice over Internet Protocol ("VoIP") technology. Charter's voice services include unlimited long-distance calling in the United States, Canada, Puerto Rico, the U.S. Virgin Islands, and Guam. Calling features include voicemail, call waiting, caller ID, call forwarding and more at no additional charge. In addition, the E911 feature automatically provides the emergency service operator with a caller's phone number and location.

Charter also is committed to developing and deploying innovative broadband technology. Charter's broadband Internet services deliver an industry-leading minimum of 60+ Mbps to the

³ Certain of the subjects and benefits discussed in this Notice pertain to non-jurisdictional products and services. While those items are included herein in order to provide a comprehensive view of the public interest benefits of the proposed Transaction, Charter and TWC respectfully reserve all rights relating to the inclusion of or reference to such information, including without limitation their legal and equitable rights relating to jurisdiction, filing, disclosure, relevancy, due process, review, and appeal. The inclusion of or reference to non-jurisdictional information may not be construed as a waiver of any rights or objections otherwise available to Charter and TWC in this or any other proceeding, and may not be deemed an admission of relevancy, materiality, or admissibility.

vast majority of its 4.8 million residential broadband customers.⁴ Charter was also recognized in 2014 as the nation's fastest WiFi provider.⁵ Its broadband services are also provided under customer-friendly terms. Charter offers its base 60 Mbps service at lower prices than other providers, and does not impose data caps or engage in usage-based billing.

Charter Business offers scalable, tailored, and cost-effective technology solutions for 386,000 commercial relationships. Charter Business services include data/wide area network, wireless backhaul, and "last mile" fiber connectivity to commercial premises.

Since the beginning of 2012, the company also has invested over \$5.5 billion in technology and infrastructure—a significant figure when compared with the company's overall size, including its \$8.7 billion adjusted EBITDA⁶ over the same period. This sizable commitment to innovation and the deployment of broadband technology has led to Charter's position within the industry as a technological and business leader. Its transition to a virtually all digital network has enabled it to increase its minimum speed offering from 1 Mbps downstream in 2011 to its present 60 Mbps offered to the vast majority of its customers, to grow its HD channel line-up from fewer than 70 channels in 2011 to a present selection of over 200, to launch the innovative Spectrum Guide to a wide range of set-top boxes, and to grow its VOD library to thousands of choices. Although Charter is proud of this record of technological progress, the Transaction would enable New Charter to do far more for millions more subscribers, including current TWC subscribers in Arizona. Charter therefore seeks increased scale and technological synergies to drive even more competitive and innovative broadband, video, and voice services.

B. TWC Companies

1. TWC

TWC is a publicly traded corporation organized under the laws of the State of Delaware with its headquarters located at 60 Columbus Circle, New York, New York 10023. TWC delivers high-quality video, broadband, and voice services, reaching over 15 million residential

⁴ A small portion (less than 1%) of New Charter that is not interconnected to the New Charter network may be offered at lower speeds. And it is possible that systems serving fewer than 1% of homes may not be taken all-digital due to the challenges in interconnecting to the remaining New Charter network.

⁵ See Allion Engineering Services USA, *Allion USA Internet Service Provider Gateway Competitive Analysis* at 11 (March 13, 2014).

⁶ Adjusted EBITDA is defined as net loss plus net interest expense, income tax expense, depreciation and amortization, stock compensation expense, loss on extinguishment of debt, gain (loss) on derivative instruments, net, and other operating expenses, such as merger and acquisition costs, special charges and (gain) loss on sale or retirement of assets.

and business customers across 30 states, including Arizona. TWC offers its business, commercial, and enterprise services under its Time Warner Cable Business Class brand.

Although not the subject of the present Notice, TWC is an industry leader in high-speed broadband, reaching approximately 11.7 million residential customers across the country, and TWC also provides advanced cable services to approximately 10.8 million residential video customers, making it the fourth-largest MVPD in the United States, behind Comcast, DirecTV, and Dish Network. TWC provides Home Phone, an interconnected VoIP service, to approximately 5.3 million residential customers throughout its footprint.

TWC was the first multi-system operator to introduce a mass-market, facilities-based VoIP service. Home Phone service features and options include call forwarding, call waiting, caller-ID, outbound caller-ID blocking, enhanced 911 and unlimited local and long-distance calling throughout the United States and to Canada, Mexico, China, Hong Kong, India, and the U.S. territories. Home Phone customers may also access a secure web portal ("VoiceZone"), through which they may activate caller ID, set up unwanted call blocking, customize other Home Phone service features and access their voicemail.

2. TWCIS

TWCIS is a limited liability company organized under the laws of the State of Delaware with its headquarters located at 60 Columbus Circle, New York, New York 10023. TWCIS is authorized to provide resold and facilities-based local exchange and resold and facilities-based long distance telecommunications services in Arizona pursuant to a Certificate of Convenience and Necessity granted in Commission Decision No. 71169 (June 30, 2009) in Docket No. T-20449A-08-0044. It is presently a wholly owned subsidiary of TWC. TWCIS does not itself provide direct end-user voice services. Rather, TWCIS offers wholesale telecommunications services, including switched access service and local interconnection service, to retail VoIP providers including TWCIS's own non-carrier affiliate, TWC Digital Phone LLC d/b/a Time Warner Cable, which provides retail VoIP service. Upon the close of the Transaction, TWCIS will become an indirect subsidiary of New Charter.

3. TWCB

TWCB is a limited liability company organized under the laws of the State of Delaware with its headquarters located at 60 Columbus Circle, New York, New York 10023. TWCB is authorized to provide facilities-based long distance and private line telecommunications services in Arizona pursuant to a Certificate of Convenience and Necessity granted in Commission Decision No. 74587 (July 30, 2014) in Docket No. T-20879A-13-0083. TWCB offers to business and commercial customers a variety of products and services, including high-capacity transmission services including Metro Ethernet and cell tower backhaul services and facilities used by wireless providers. TWC, through other subsidiaries, offers a broad range of communications and information technology solutions, including broadband Internet access and

through its NaviSite operations, managed hosting and cloud computing services. TWC offers these services in competition with incumbent local exchange carriers ("ILECs") and other service providers. Upon the close of the Transaction, TWCB will become an indirect subsidiary of New Charter

TWCIS, TWCB, and other TWC subsidiaries offer their respective services using the facilities of TWC and, where necessary, third-party infrastructure. Customers range from individual consumers and small businesses with a single location to medium-sized and enterprise businesses with multiple locations, as well as government, education, and non-profit institutions.

II. CONTACT INFORMATION FOR THE TRANSACTION

For Charter:
Michael R. Moore
Vice President & Associate General
Counsel, Regulatory Affairs
Charter Communications, Inc.
12405 Powerscourt Drive
St. Louis, MO 63131
Telephone: (314) 543-2414
Fax: (314) 965-6640
E-mail: Michael.Moore@charter.com

and
Adam Falk
Senior Vice President, State
Government Affairs
Charter Communications, Inc.
1099 New York Ave NW, Suite 650
Washington, DC 20001
Telephone: (202) 621-1910
Facsimile: (202) 733-5960
Email: adam.falk@charter.com

with copies to

Lindsay Harrison
Luke Platzer
Jenner & Block LLP
1099 New York Ave NW, Suite 900
Washington, DC 20001
Telephone: (202) 639-6865
Facsimile: (202) 661-4956
Email: lharrison@jenner.com
Email: lplatzer@jenner.com

For TWCIS and TWCB:

Michael W. Quinn
Group Vice President & Chief Regulatory Counsel
Time Warner Cable Inc.
13820 Sunrise Valley Drive
Herndon, VA 20171

Docket Control
Arizona Corporation Commission
August 21, 2015
Page 7

Telephone: (703) 713-1735
Email: michael.quinn@twcable.com

with copies to

Joan S. Burke
Law Offices of Joan S. Burke
1650 N. 1st Ave.
Phoenix, AZ 85003
Telephone: (602) 535-0396
joan@jsburkelaw.com

and

Matthew A. Brill
Amanda E. Potter
Latham & Watkins LLP
555 Eleventh Street, NW, Suite 1000
Washington, DC 20004
Telephone: (202) 637-2200
Email: matthew.brill@lw.com
Email: amanda.potter@lw.com

III. DESCRIPTION OF THE TRANSACTION

The Transaction will combine Charter, TWC, and BHN into a single company able to leverage the best aspects of each of the three participants. The basic structure of the Transaction resulting in the instant change of ownership is a series of mergers after which TWC and BHN, and their respective subsidiaries, will become subsidiaries of New Charter, which will also be the ultimate parent of Charter's current operating entities.

On May 23, 2015, Charter, along with CCH I, LLC, the current Charter subsidiary that will become New Charter, entered into agreements ("Agreements") with each of TWC, Liberty Broadband Corporation ("Liberty Broadband"), Liberty Interactive Corporation (together with Liberty Broadband, "Liberty") and Advance/Newhouse Partnership ("A/N"), a parent company of BHN.

Under the terms of the Agreements, TWC will merge into a subsidiary of New Charter through a series of mergers. Those mergers will ultimately result in TWC stockholders, other than Liberty, receiving a combination of cash and shares of New Charter Class A common stock in exchange for their shares of TWC stock, and Liberty receiving shares of New Charter Class A

common stock in exchange for its shares of TWC stock.⁷ In addition, subject to separate conditions set forth in Charter's agreement with A/N, New Charter will acquire BHN for approximately \$10.4 billion, comprised of cash and equity of New Charter, and BHN will become an indirect subsidiary of New Charter.⁸ Liberty will invest a total of \$5 billion in connection with the Transaction in exchange for additional shares of New Charter Class A common stock.⁹

The management of New Charter, including Charter's current operating subsidiaries, is expected to remain unchanged. New Charter will assume the Charter name and will be the entity with shares traded on NASDAQ. Upon completion of the Transaction, approximately 68% of New Charter, on an as-converted, as-exchanged basis, will be publicly held, and a majority of the board will not be nominated by either A/N (which will nominate two board members at closing) or Liberty Broadband (which will nominate three board members at closing). Tom Rutledge, Charter's President and CEO, will hold a board seat and will be offered the position of Chairman and CEO of New Charter.

New Charter will be the third-largest MVPD behind AT&T-DirecTV and Comcast. New Charter will own and/or manage systems serving approximately 19.4 million broadband customers, 17.3 million video customers, and 9.4 million voice customers across 41 states. Upon completion of the Transaction, TWCIS and TWCB will be indirect subsidiaries of New Charter. The instant change in ownership will be seamless to Arizona customers. After the Transaction is complete, if New Charter wishes to make changes that require regulatory approval, such as changes to regulated rates, terms, or conditions of service, or to transfers of regulated customers,

⁷ Shares of TWC stock, other than those owned by Liberty, will be converted into the right to receive for each share, at the stockholder's election, either (a) a combination of \$100 in cash and approximately 0.4891 shares of New Charter Class A common stock, or (b) a combination of \$115 in cash and approximately 0.4125 shares of New Charter Class A common stock. Shares of TWC stock held by Liberty will ultimately be converted into shares of New Charter Class A common stock.

⁸ Upon completion of the transaction, based on the number of shares of TWC common stock and Charter class A common stock outstanding as of June 10, 2015, (a) TWC's existing stockholders will own between 41% and 45% of New Charter, (b) Liberty Broadband—Charter's largest shareholder with approximately 25% current ownership of Charter—will own between 18% and 19%, although its voting interest will be comparable to its pre-transaction level pursuant to a five-year irrevocable proxy, subject to certain exceptions, for a portion of the shares of New Charter owned by A/N, and (c) A/N will own between 13% and 14%.

⁹ Pre- and post-transaction organizational charts are attached to assist the Commission in understanding the above description of the Transaction.

New Charter, through its regulated affiliates, will comply with applicable Arizona filing and notice requirements associated with such changes.

IV. EFFECT OF THE TRANSACTION

New Charter will have the requisite financial, technical, and managerial qualifications to assume control of TWCIS and TWCB. By combining Charter's business strategy of investing in and offering high-quality services at competitive prices, TWC's operating momentum, and BHN's strong reputation for customer care in growing, highly competitive service areas, the Transaction will deliver benefits to consumers and businesses in Arizona and throughout the rest of the country. As described above, Charter currently serves over 5.8 million residential customers and has 386,000 commercial relationships. After the Transaction, New Charter will serve more subscribers, generate more revenue, and earn more EBITDA, strengthening its financial and technical qualifications. Nationwide, voice subscribers will increase from 2.6 million to 9.4 million; broadband subscribers will increase from 5.1 million to 19.4 million; and video subscribers will increase from 4.3 million to 17.3 million. Pro forma revenue will rise from \$9.1 billion to \$35.7 billion. And pro forma adjusted EBITDA will go from \$3.2 billion to \$12.9 billion.

New Charter will be managed by a team of experienced officers, all of whom will be intensely focused on innovation, competition, customer service, and service quality. Charter's management team is considered among the best in the industry. The New York Times recently said that Charter's CEO Tom Rutledge has "a reputation for being one of the best operators in the industry,"¹⁰ and, in 2014, Multichannel News named Charter "Operator of the Year."¹¹ New Charter will utilize Charter's, TWC's and BHN's significant managerial capability and experience as top-tier communications service providers, which will benefit TWC's Arizona customers. Charter, TWC, and BHN are recognized as premier voice service experts with advanced systems. The Transaction will allow the companies to integrate the best features of their respective voice offerings, resulting in improved service for residential and business customers. By combining these companies' voice expertise and advanced services, New Charter will be able to offer the best service and products available, with significant synergistic advantages that will ensure New Charter continues to develop the best new technology well into the future. Following consummation of the Transaction, New Charter will continue offering its

¹⁰ See *For Charter Communications Chief, Time Warner Cable Is a Long-Sought Prize*, N.Y. Times, May 31, 2015, available at <http://www.nytimes.com/2015/06/01/business/media/capturing-a-prize-in-cable.html>.

¹¹ See *Multichannel News Names Charter "Operator of the Year,"* Multichannel News (Sept. 3, 2014), available at <http://www.multichannel.com/news/marketing/multichannel-news-names-charter-operator-year/383513>.

Docket Control
Arizona Corporation Commission
August 21, 2015
Page 10

products and services at the same rates, and pursuant to the same terms, as currently provided. Because Charter and BHN do not provide service in Arizona, the Transaction will not diminish competition in the state or otherwise reduce the number of market participants. The Transaction will ensure that TWCIS and TWCB will be well positioned to promote the deployment of advanced voice services in Arizona.

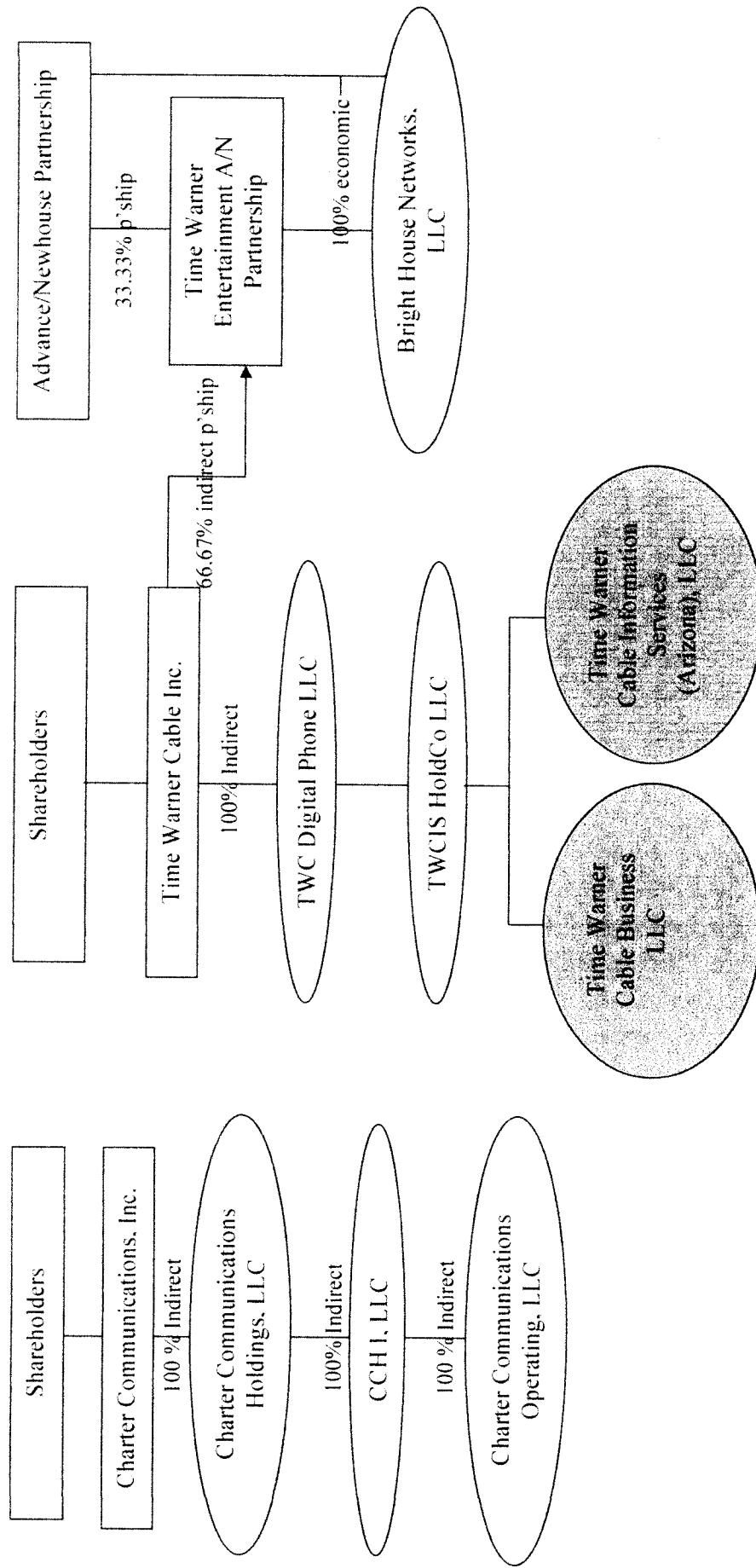
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'L. Platzer', with a long horizontal line extending from the end of the signature.

Luke Platzer
1099 New York Ave. NW, Suite 900
Washington, DC 20001
Jenner & Block LLP
Telephone: (202) 639-6094
Facsimile: (202) 661-4813
Email: lplatzer@jenner.com

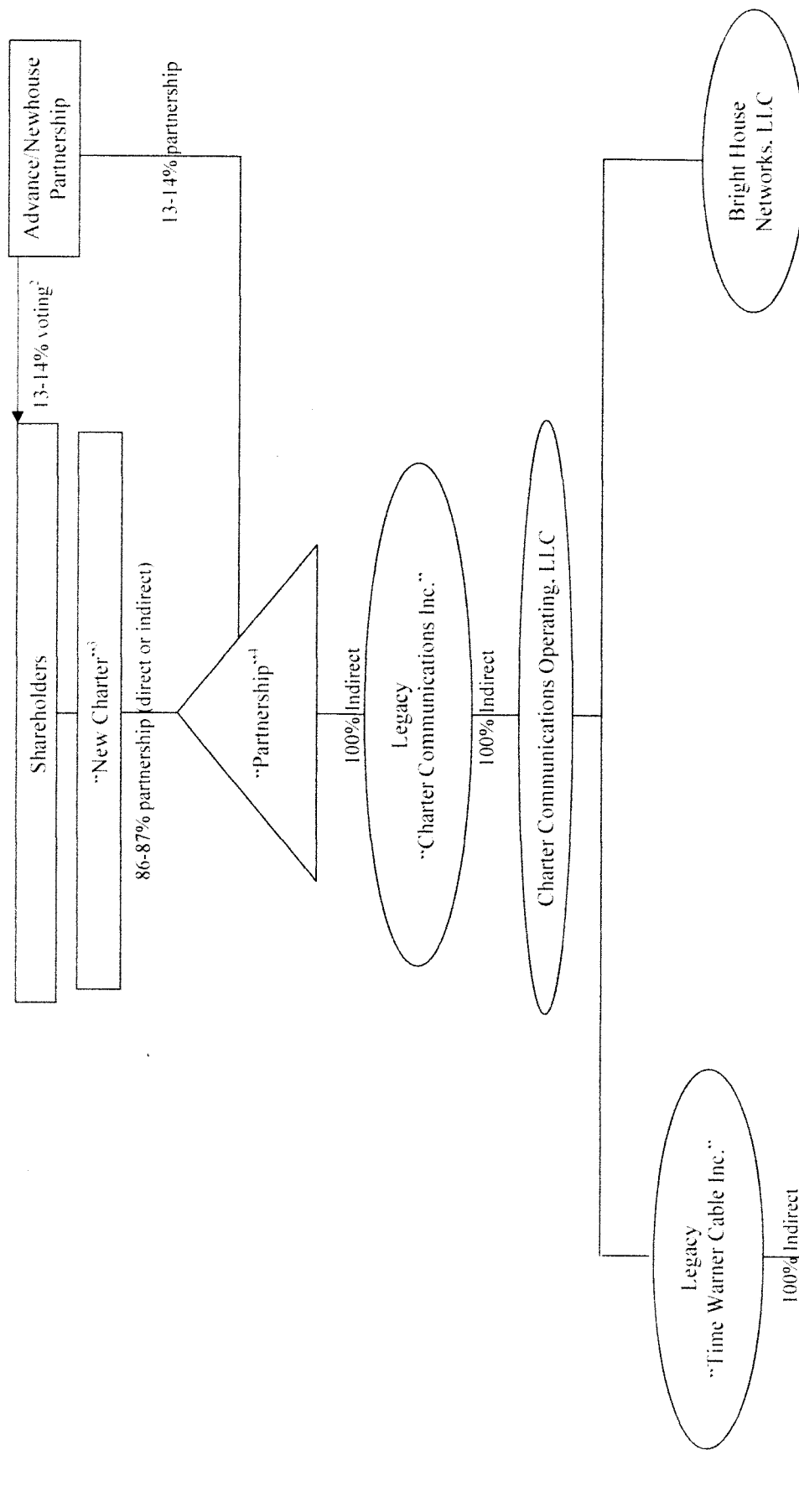
Exhibit A

Diagram of Organization Structure Prior to Transaction¹



Key
 1 All ownership 100% direct unless otherwise noted.

Diagram of Organization Structure Following Transaction¹



Key

- 1 All ownership 100% direct unless otherwise noted.
- 2 Advance/Newhouse Partnership will have 13-14% voting in New Charter via 1 share of Class B common stock corresponding to its economic partnership interests
- 3 Formerly CCHI, LLC
- 4 Formerly Charter Communications Holdings, LLC